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SUBJ: AMINOIL LABOR PROBLEMS

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SUMMARY: AMERICAN INDEPENDENT OIL COMPANY HAS RECENTLY EXPERIENCED TWO SORTS OF LABOR TROUBLE: UNION PROTESTS OVER SAFETY AT MINA ABDULLA REFINERY, IN WAKE OF RECENT FIRE; AND STRIKE WORKERS ON REFINERY MAINTENANCE CONTRACT BETWEEN AMINOIL AND KREMENCO, LOCAL REFINERY REPAIR FIRM. UNION REACTION WAS TO USE OCCASIONS FOR MAKING PROTESTS ADVANCING OWN POLICIES; EQUALITY OF STATUS FOR CONTRACT WORKERS IN OIL SECTOR, AND NATIONALIZATION OF AMINOIL. END SUMMARY.

1. AMERICAN INDEPENDENT OIL COMPANY, OPERATOR OF KUWAIT'S HALF OF PARTITIONED ZONE'S OIL PRODUCTION, HAS EXPERIENCED TWO SORTS OF LABOR UNREST IN RECENT DAYS: UNION PROTESTS OVER SAFETY, AND STRIKE OVER ISSUE OF CONTRACT WORKERS. EMBOFF HAS DISCUSSED THESE PROBLEMS WITH OFFICIALS OF AMINOIL AND OF FIRM INVOLVED IN
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CONTRACT LABOR DISPUTE. EMBASSY BELIEVES THAT PROBLEMS, WHILE

THEMSELVES COMPARATIVELY MINOR, ARE INDICATIVE OF GROWING PROMINENCE OF AMINOIL, AS THE ONLY FULLY-FOREIGN OWNED COMPANY STILL OPERATING IN KUWAIT'S OIL SECTOR.

2. FIRST PROBLEM AROSE OUT OF TWO FIRES WHICH BROKE OUT AT AMINOIL'S

MINA ABUDLLA REFINERY DURING LAST TWO WEEKS OF 1975. FIRST FIRE MINOR BUT SECOND (TOTAL DAMAGE ESTIMATED AT ABOUT \$7 MILLION), BY DAMAGING REFINERY'S DESULPHURIZER UNIT, HAS KNOCKED OUT ABILITY TO PROCESS HEAVY OIL, THUS CAUSING MARKETING PROBLEMS IN ATTEMPTS TO SELL LESS DESIRABLE HEAVY CRUDE. (SECOND REFTEL) THE AMINOIL WORKERS UNION ISSUED A STATEMENT CONDEMNING THE COMPANY FOR CARELESSNESS AND FOR DEPENDING ON "INADEQUATE" CONTRACTORS TO CARRY OUT MAINTENANCE WORK. (KREMENCO, KUWAIT INDUSTRIAL REFINERY MAINTENANCE AND ENGINEERING COMPANY, HAS A MAINTENANCE CONTRACT WITH AMINOIL AT MINA ABDULLA AND AT WAFRA FIELDS.) THE STATEMENT CALLED ON THE GOK TO NATIONALIZE AMINOIL TO PREVENT FURTHER INCIDENTS.

3. DEPUTY GENERAL MANAGER OF AMINOIL (PROTEXT), IN DISCUSSIONS WITH EMBOFF, SAID THAT COMPANY HAD SUBJECTED ALL EQUIPMENT TO STRINGENT INSPECTION, INCLUDING EQUIPMENT INVOLVED IN FIRE (I.E., HEAT EXCHANGE SYSTEM AND ASSOCIATED WIRING IN DESULPHURIZER UNIT). IN OPERATING SUCH HIGH PRESSURE EQUIPMENT, OFFICIAL FELT, PAST EXPERIENCE HAS INDICATED THAT BREAKDOWNS AND ACCIDENTS COULD OCCUR AT ANY TIME, WITH NO WARNING POSSIBLE. IN FACT, ACCORDING TO OFFICIAL, SYSTEM HAD RECEIVED CLOSE INSPECTION A SHORT TIME PRIOR TO OUTBREAK OF FIRE.

4. IN A PERHAPS RELATED MATTER, ABOUT 160 KREMENCO WORKERS STAGED A FIVE-DAY SITDOWN STRIKE JANUARY 20-24 AT REFINERY. STRIKE DEMANDS (SALARY INCREASES, COST OF LIVING ALLOWANCES, PAID COMMUTER TIME) CENTERED AROUND STATUS OF CONTRACT LABORER, HEAVILY UTILIZED IN OIL PRODUCTION AND REFINING SECTORS, VIS-A-VIS THAT OF REGULAR EMPLOYEES. MAIN DEMAND WAS FOR APPLICATION OF ARTICLE 15 OF KUWAIT'S LABOR LAW (QUOTED IN FIRST REFTEL) TO OIL SECTOR. GENERAL FEDERATION OF PETROLEUM AND PETROCHEMICAL WORKERS UNION USED STRIKE TO PUBLICIZE CONTRAACK WORKER ISSUE FURTHER, BY ISSUING LIMITED OFFICIAL USE

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A STATEMENT CRITICIZING THE INCOMPETENCE OF CONTRACT COMPANIES IN THE OIL SECTOR, CALLING FOR THE GOK TO TAKE OVER FUNCTIONS OF COMPANY, IN ORDER TO PREVENT FURTHER INSTABILITY AND INTERFERENCE IN OIL OPERATIONS.

5. AMINOIL REACTION TO STRIKE WAS RELATIVE UNCONCZGN. DEPUTY MANAGER SAID THAT OPERATIONS AT REFINERY WERE DOWN ONLY 2 DAYS AS A RESULT OF STRIKE. HE ALSO EMPHASIZED THAT STRIKE

WAS THE CONCERN OF THE WORKERS THEMSELVES AND KREMENCO, AND THAT AMINOIL WAS NOT INVOLVED. KREMENCO REACTION WAS EXPRESSED BY AMERICAN ASSISTANT MANAGER OF FIRM (KREMENCO HAS A JOINT VENTURE AGREEMENT WITH FOSTER-WHEELER). IN DISCUSSION WITH EMBOFF, HE TERMED STRIKE A "TEMPEST IN A TEAPOT", WHICH MUSHROOMED OUT OF DISPUTE WITH TWO WORKERS. HE DEFENDED COMPANY WAGE POLICY NOTING THAT KREMENCO PAID SALARIES HIGHER THAN THOSE PAID BY OIL COMPANIES FOR COMPARABLE WORK.

6. STRIKE WAS CONCLUDED ON THE INTERVENTION OF MINISTER SOCIAL AFFAIRS AND LABOR WHICH SUGGESTED THAT THE WORKERS GO BACK TO THEIR JOBS PENDING ARRIVAL OF MANAGING DIRECTOR OF KREMENCO FROM ABROAD. IT IS THOUGHT THAT MATTER ON ITS WAY TO BEING RESOLVED, WITH THE CONTRACT WORKERS EXPRESSING SATISFACTION WITH PROMISES MADE BY MINISTRY IN THE AREA OF SALARIES.

8. COMMENT: RECENT LABOR UNREST COMING AFTER TWO YEARS OF RELATIVE CALM AT AMINOIL IS OF SOME SIGNIFICANCE FOR TWO REASONS: (A) IT HAS FURTHER COMPLICATED AMINOIL'S RELATIONS WITH GOK, FOLLOWING NATIONALIZATION OF GULF AND BP. AFTER FIRE, MINISTER OF OIL AL-KAZEMI MET WITH VICE-PRESIDENT AND GENERAL MANAGER OF COMPANY AND NOT ONLY DISCUSSED FIRE ITSELF, BUT RAISED AS WELL ISSUE OF COMPANY'S TREATMENT OF ITS WORKERS. PRESS REPORTS INDICATED THAT AL-KAZEMI POINTED OUT THE NEED TO GIVE MORE OPPORTUNITIES TO KUWAITIS. PRESS REPORTED THAT KAZEMI SAID NATIONALIZATION OF AMINOIL WAS BEING "CONSIDERED". LABOR UNREST, AND THE PRESSURES THIS WOULD GENERATE IN THE NATIONAL ASSEMBLY (THE FEDERATION OF PETROLEUM AND PETROCHEMICAL WORKERS UNIONS, IN ITS STATEMENT, ASKED THE NATIONAL ASSEMBLY TO DRAFT LEGISLATION ON CONTRACT WORKERS), WOULD PROBABLY INTENSIFY NATIONALIZATION PRESSURE. (B) LIMITED OFFICIAL USE

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KREMENCO STRIKE RAISED AGAIN ISSUE OF STATUS OF CONTRACT LABORS AS ONE OF PRIME LABOR RELATIONS ISSUES IN KUWAIT.

WITH THE NATIONALIZATION OF THE OIL COMPANIES, GOK IS COMING FACE TO FACE WITH LABOR UNREST PROBLEMS, WHICH, PREVIOUSLY, COULD BE IGNORED AS BEING THE RESPONSIBILITY OF A NOT-TOO POPULAR FOREIGN CONCERN. ONE OF THESE PROBLEMS, EQUALITY OF STATUS OF CONTRACT LABORERS IN THE OIL INDUSTRY, IS ESPECIALLY ACUTE, GIVEN THE DIFFERENTIAL IN SALARY AND OTHER BENEFITS BETWEEN REGULAR AND CONTRACT EMPLOYEES. GOK POLICY SEEMS TO BE EVOLVING, BASED ON ITS REACTION TO KREMENCO STRIKE, TOWARDS AN ACCEPTANCE OF IDEA OF EQUALITY OF TREATMENT FOR BOTH CATEGORIES OF WORKERS, SUITABLY MODIFIED TO MEET PECULIAR DEMANDS OF OIL COMPANY OPERATIONS.

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